

**ALBA PUBLIC SCHOOL
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

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INDEPENDENT AUDITOR'S REPORT

August 18, 2005

Board of Education
Alba Public School
Alba, Michigan 49646

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alba Public School as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Alba Public School's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Alba Public School, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated August 18, 2005 on my consideration of Alba Public School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 22 through 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alba Public School's basic financial statements. The introductory section, and combining non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied by me in the audit of the basic financial statements and, in my opinion, based on my audit are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Thomas R. Zick, CPA P.C." in a cursive script.

THOMAS R. ZICK CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

ALBA PUBLIC SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management discussion and analysis, a requirement of GASB 34, is intended to be the Alba Public School District ("the District") Management's discussion and analysis of the financial results for the year ended June 30, 2005. The intent of this discussion and analysis is to provide a look at the district's performance and current position. Readers should also review the notes to the financial statements and financial statements to enhance their understanding of the district's financial performance.

FINANCIAL HIGHLIGHTS

The overall financial condition of the district remains strong. All goals related to financial activities have been met in the past year. If current revenue and expenditure patterns can be maintained, the resources for the following year will be available.

The assets of the Alba Public School District exceeded its liabilities at the close of the most recent fiscal year by \$701,896 million (net assets).

The district's total net assets increased by \$99,313 in the 2004/05 school year.

At the end of the current fiscal year, the fund balance for the District's General Fund is \$331,420.

USING THE ANNUAL REPORT

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole (government-wide statements), and then proceed to provide an increasingly detailed look at specific financial statements (fund financial statements). Also included are various notes to the financial statements. The audit also contains supplemental information in addition to the basic financial statements.

Reporting the District as a Whole – *The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the district as a whole and about its activities in a manner to help address this question. These statements include all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by the private sector. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The two statements report the District's net assets and any changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions on a State level, student enrollment growth, quality of local service, and facility improvements prior to arriving at any conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the district as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". The two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Funds

Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a comparative summary of the District's net assets as of June 30, 2005 and 2004

TABLE 1

Governmental Activities

	<u>6/30/05</u>	<u>6/30/04</u>
<u>ASSETS</u>		
Current assets	\$ 772,651	\$ 658,740
Noncurrent assets	<u>2,973,942</u>	<u>3,053,437</u>
TOTAL ASSETS	<u>\$ 3,746,593</u>	<u>\$ 3,712,177</u>
<u>LIABILITIES</u>		
Current liabilities	\$ 332,097	\$ 299,394
Noncurrent liabilities	<u>2,712,600</u>	<u>2,810,200</u>
TOTAL LIABILITIES	<u>\$ 3,044,697</u>	<u>\$ 3,109,594</u>
<u>NET ASSETS</u>		
Investment in Capital Assets— Net of Related Debt	\$ 163,742	\$ 150,637
Restricted	228,651	222,291
Unrestricted	<u>309,503</u>	<u>229,655</u>
TOTAL NET ASSETS	<u>\$ 701,896</u>	<u>\$ 602,583</u>

The District currently reports positive balances in each category of net assets.

The results of this year's operations for the District as a whole are represented in a statement of activities (Table 2), which shows the changes in net assets for the fiscal year 2005 and 2004.

TABLE 2

Governmental Activities

	<u>6/30/05</u>	<u>6/30/04</u>
<u>REVENUE</u>		
Program revenue:		
Charges for services	\$ 22,537	\$ 17,001
Operating grants/contributions	267,281	324,870
General revenue:		
Property taxes	776,052	717,600
State School Aid	850,637	674,518
Other	<u>8,543</u>	<u>5,283</u>
TOTAL REVENUE	<u>\$ 1,925,050</u>	<u>\$ 1,739,272</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	<u>6/30/05</u>	<u>6/30/04</u>
<u>FUNCTIONS/PROGRAM EXPENSES</u>		
Instruction	\$ 974,348	\$ 984,026
Supporting services	602,204	534,977
Food services	114,842	85,924
Transfers to locals and others	<u>134,342</u>	<u>1 37,820</u>
TOTAL EXPENSES	<u>1,825,737</u>	<u>1,742,747</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 99,313</u>	<u>\$ (3,475)</u>

As reported in the statement of activities the cost of all governmental activities for the year was \$1,825,733. While \$776,052 in revenue was generated directly from local taxpayers, another \$22,537 was generated through "charges for actual services" to local districts, or individuals that benefited directly from our services. State, federal, other regional grants and programs brought \$267,281 to the district. The district received \$850,637 in state education funding and \$8,543 in other miscellaneous sources, inclusive of investment earnings. Net assets for the year ending June 30, 2005 increased by approximately \$99,313.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared in accordance to Michigan Law. The most significant budgeted fund is the General Fund. During the fiscal year of 2004/05 the District amended the budgets of these major governmental funds once. This has been the normal business practice of the district. Due to the timing of grant awards and pupil counts, the general fund budget will change significantly from the beginning to the end of the year. During the fiscal year of 2004/05 our blended student count increased from 173 to 209 which increased the foundation allowance revenue by approximately \$249,300.

General Fund

The General Fund revenues exceeded expenditures in the past year of operations by \$79,789. The District had been reducing staff through attrition and also received additional funding from the ISD. In anticipation of the state education budget crises, the district also made cuts in all operational areas in previous years but restored some of those cuts due to the increase in funding resulting from the increased student count.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's assets have accumulated depreciation of \$1,044,547 and \$919,134 as of June 30, 2005 and 2004 respectively. Our capitalized assets include our buildings, land, equipment and transportation fleet. This year saw a \$79,495 decrease in Net Capital Assets. A categorized listing of the assets is below.

TABLE 3 Alba Public School District Capital Assets

	<u>6/30/05</u>	<u>6/30/04</u>
Land	\$ 19,000	\$ 19,000
Buildings and Improvements	3,328,096	3,328,096
Vehicles	148,562	148,562
Equipment & Furniture	<u>522,831</u>	<u>476,913</u>
TOTAL CAPITAL ASSETS(at cost)	<u>\$ 4,018,489</u>	<u>\$ 3,972,571</u>

Long Term Debt

The District currently owes \$2,795,000 in bonded debt. These bonds are repaid through a voted millage over the next 19 years. In addition the District owes \$15,200 on a bus loan which will be paid over the next two years.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy of the State of Michigan has dramatically slowed and forecasts project shortages in both the State's General Fund and the School Aid Fund for the upcoming year. The exact implications the shortages will have on the District are unknown. Our budgets were prepared with these factors in mind. We also are dependent on student counts which vary from year to year, for our foundation allowance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Alba Public School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Superintendent, Alba Public School District, PO Box 10, Alba, MI 49611

ALBA PUBLIC SCHOOL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER SOURCES (USES)
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNT		ACTUAL	VARIANCE WITH FINAL BUDGET OVER
	ORIGINAL	FINAL		
INSTRUCTION (CONTINUED)				
Other - Capital Outlay:	\$ -	\$ 14,500	\$ 14,295	\$ 205
TOTAL INSTRUCTION	829,012	993,030	919,481	73,549
SUPPORTING SERVICES				
Instructional Staff:				
Library	107	2,500	6,083	(3,583)
Total Instructional Staff	107	2,500	6,083	(3,583)
General Administration:				
Board of Education	43,000	72,900	63,673	9,227
Executive Administration	199,846	200,860	199,243	1,617
Total General Administration	242,846	273,760	262,916	10,844
Business Office	52,325	51,300	44,843	6,457
Plant Operation and Maintenance	145,860	157,760	161,756	(3,996)
Pupil Transportation	57,600	71,450	70,355	1,095
Principal	7,600	7,600	7,600	-
Interest	5,026	1,368	1,026	342
Capital Outlay	-	-	31,623	(31,623)
TOTAL SUPPORTING SERVICES	511,364	565,738	586,202	(20,464)
OUTGOING TRANSFERS				
Food Service Fund	-	3,818	365	3,453
Athletics Fund	19,525	19,750	16,246	3,504
TOTAL OUTGOING TRANSFERS	19,525	23,568	16,611	6,957
TOTAL EXPENDITURES AND TRANSFERS OUT	\$ 1,359,901	\$ 1,582,336	\$ 1,522,294	\$ 60,042

See Notes to Financial Statements

ALBA PUBLIC SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions / Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue
Primary Government				
Governmental Activities				
Instruction	\$ 974,348	\$ -	\$ 146,385	\$ (827,963)
Support Services	602,204	-	39,861	(562,343)
Athletics	22,140	5,894	-	(16,246)
Food Service	92,703	16,643	81,035	4,975
Interest on Debt	134,342	-	-	(134,342)
Total Governmental Activities	<u>\$1,825,737</u>	<u>\$22,537</u>	<u>\$267,281</u>	<u>(1,535,919)</u>
General revenues:				
Taxes:				
Property taxes levied for general purposes				560,207
Property taxes, levied for debt services				215,845
State aid not restricted to specific purposes				850,637
Interest and investment earnings				<u>8,543</u>
Total property taxes and general revenues				<u>1,635,232</u>
Change in net assets				99,313
Net assets, beginning of year				<u>602,583</u>
Net assets, end of year				<u><u>\$ 701,896</u></u>

See Notes to Financial Statements

ALBA PUBLIC SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	GENERAL FUND	1998 DEBT RETIREMENT	OTHER FUNDS	TOTAL
ASSETS				
Cash	\$ 329,503	\$ 201,756	\$ 4,430	\$ 535,689
Receivables				
Accounts	-	-	-	-
Inventory	-	-	1,631	1,631
Due From Other Funds	-	20,834	-	20,834
Due From Other Governmental Units	235,331	-	-	235,331
TOTAL ASSETS	<u>\$ 564,834</u>	<u>\$ 222,590</u>	<u>\$ 6,061</u>	<u>\$ 793,485</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 117,420	\$ -	\$ -	\$ 117,420
Accrued Liabilities	86,095	-	-	86,095
Due to Other Funds	20,834	-	-	20,834
Due to Other Governmental Units	-	-	-	-
Deferred Revenue	9,065	-	-	9,065
TOTAL LIABILITIES	<u>233,414</u>	<u>-</u>	<u>-</u>	<u>233,414</u>
FUND BALANCES				
Reserved	-	222,590	6,061	228,651
Unreserved	331,420	-	-	331,420
TOTAL FUND BALANCES	<u>331,420</u>	<u>222,590</u>	<u>6,061</u>	<u>560,071</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 564,834</u>	<u>\$ 222,590</u>	<u>\$ 6,061</u>	<u>\$ 793,485</u>

See Notes to Financial Statements

ALBA PUBLIC SCHOOL
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
JUNE 30, 2005

Fund Balances - Total Governmental Funds	\$560,071
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital Assets - at Cost	4,018,489
Accumulated Depreciation	(1,044,547)
Certain liabilities such as bonds and notes payable are not due and payable in the current period and therefore are not reported in the governmental funds	
Bonds Payable	(2,795,000)
Bus Note Payable	(15,200)
Accrued interest payable is not included as a liability in the governmental funds	<div style="border-top: 1px solid black;">(21,917)</div>
Net Assets of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$701,896</div>

See Notes to Financial Statements

ALBA PUBLIC SCHOOL
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND	1998 DEBT RETIREMENT	OTHER FUNDS	TOTAL
REVENUES				
Local Sources	\$ 572,859	\$ 215,845	\$ 22,537	\$ 811,241
State Sources	951,195	-	5,749	956,944
Federal Sources	65,680	-	75,286	140,966
Interest Income	4,993	3,550	-	8,543
Other Revenue	7,356	-	-	7,356
TOTAL REVENUES	1,602,083	219,395	103,572	1,925,050
EXPENDITURES				
Current				
Instruction	905,186	-	-	905,186
Supporting Services	545,953	-	-	545,953
Athletic Events	-	-	22,140	22,140
Food Services	-	-	92,703	92,703
Capital Outlay	45,918	-	-	45,918
Debt Service:				
Principal	7,600	85,000	-	92,600
Interest and Other Charges	1,026	134,096	-	135,122
TOTAL EXPENDITURES	1,505,683	219,096	114,843	1,839,622
REVENUES OVER (UNDER) EXPENDITURES	96,400	299	(11,271)	85,428
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	16,611	16,611
Transfers (Out)	(16,611)	-	-	(16,611)
TOTAL OTHER FINANCING SOURCES (USES)	(16,611)	-	16,611	-
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	79,789	299	5,340	85,428
FUND BALANCES, BEGINNING OF YEAR	251,631	222,291	721	474,643
FUND BALANCES, END OF YEAR	\$ 331,420	\$ 222,590	\$ 6,061	\$ 560,071

See Notes to Financial Statements

ALBA PUBLIC SCHOOL
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
FOR THE YEAR ENDED JUNE 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	85,428
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - Capital Outlay		45,918
Deduct - Depreciation Expense		(125,413)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - Principal Payments on Long-term Liabilities		92,600
Add - Decrease in Accrued Interest Payable		780

Change in Net Assets of governmental activities		<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">\$99,313</div>
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See Notes to Financial Statements

ALBA PUBLIC SCHOOL
STATEMENT OF FIDUCIARY FUND NET ASSETS
AGENCY FUNDS
JUNE 30, 2005

	<u>ASSETS</u>	
Cash		<u>\$ 29,956</u>
	<u>TOTAL ASSETS</u>	<u><u>\$ 29,956</u></u>
	<u>LIABILITIES</u>	
Due to Student Groups		<u>\$ 29,956</u>
	<u>TOTAL LIABILITIES</u>	<u><u>\$ 29,956</u></u>

See Notes to Financial Statements

ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Alba Public Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District.

REPORTING ENTITY

The school district is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

District-Wide Financial Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the District.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

1998 Debt Retirement Fund – The 1998 Debt Retirement Fund is used to record tax, interest, and other revenue for the payment of general long-term debt principal, interest, and related costs.

Additionally, the District reports the following governmental types:

Special Revenue Funds - Special Revenue Funds are governmental funds used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District's Special Revenue Funds include the Food Service and Athletic Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

Fiduciary Funds – The School District maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments – Cash and investments include cash on hand, demand deposits, and savings accounts.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes are levied and become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls. The County operates a delinquent tax revolving fund and normally pays to the District all current taxes annually prior to June 30.

ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories and Prepaid Costs – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventory received by the Food Service Fund is recorded as an asset.

Restricted Assets – The fund balance in the 1998 debt service fund is shown as a restricted fund balance. This balance can only be used to service the 1998 debt.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	10-50 years
Buses and other vehicles	7-15 years
Furniture and other equipment	2-20 years

Long-Term Obligations – In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change – Effective July 1, 2003, the School district implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34) along with all related statements and interpretations.

Budgetary Information – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the general and special revenue funds. All annual appropriations lapse at the fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess Expenditures Over Appropriations in Budgeted Funds - The School District is required under Public Act 621 of 1978 to adopt (pass) a budget (General Appropriations Act) for the General Fund and Individual Special Revenue Funds. The District complied in all areas except the following expenditure areas which exceeded budgeted amounts:

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Preschool	\$ 38,772	\$ 47,269	\$ (8,497)
Special Education	\$ 157,760	\$ 161,756	\$ (3,996)
Title I	\$ 43,427	\$ 45,828	\$ (2,401)
Library	\$ 2,500	\$ 6,083	\$ (3,583)
Plant Operation & Maintenance	\$ 157,760	\$ 161,756	\$ (3,996)
Capital Outlay - Non-Instruction	\$ -0-	\$ 31,623	\$ (31,623)
Special Revenue:			
Food Service	\$ 76,700	\$ 92,702	\$ (16,002)

NOTE 3 - CASH AND INVESTMENTS

The captions on the combined balance sheet related to cash and investments are as follows:

	<u>Imprest Cash</u>	<u>Cash/checking and Savings</u>	<u>Total</u>
Government Activities	\$ 100	\$ 535,589	\$ 535,689
Agency Funds	-	29,956	29,956
	<u>\$ 100</u>	<u>\$ 565,545</u>	<u>\$ 565,645</u>

Deposits - At year-end, the carrying amount of the District's deposits was \$565,545 and the bank balance was \$576,033 was classified as to risk as follows.

Insured	\$ 336,985
Uninsured – Uncollateralized	228,560
	<u>\$ 565,545</u>

Investments – Act 217, PA 1982, authorized the School District to deposit and invest in the following:

- a. Bonds, bills, and other direct obligations of the United States or its agencies.
- b. Certificates of deposit and other savings instruments issued by a federally insured bank, savings and loan or credit union maintaining an office in Michigan.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Mutual Funds comprised of investments which are legal for direct investment by local units of government in Michigan.
- e. U.S. Government or federal agency obligation repurchase agreements.

The Board of Education is authorized to designate depositories for District funds, and the funds are invested in accordance with State of Michigan statutory authority. There were no investments at June 30, 2005.

ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4 – RECEIVABLES

Receivables as of year-end for the School District's individual major funds and the other nonmajor governmental funds are as follows:

	<u>General</u>	<u>Other Funds</u>
Receivables		
State of Michigan	<u>235,331</u>	\$ <u>-</u>
Net Receivables	<u>\$ 235,331</u>	<u>\$ -</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consists of grant and categorical aid payments received prior to meeting all eligibility requirements and other items totaling \$ 9,065.

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

	Balance June 30, 2004	Additions	Disposals	June 30, 2005
Capital assets not being depreciated:				
Land	\$ 19,000	\$ -	\$ -	\$ 19,000
Capital assets being depreciated:				
Building and building improvements	3,328,096	-	-	3,328,096
Buses and other vehicles	148,562	-	-	148,562
Furniture and equipment	476,913	45,918	-	522,831
Subtotal	<u>3,953,571</u>	<u>45,918</u>	<u>-</u>	<u>3,999,489</u>
Accumulated depreciation:				
Building and building improvements	601,767	66,562	-	668,329
Buses and other vehicles	79,223	12,661	-	91,884
Furniture and equipment	238,144	46,190	-	284,334
Subtotal	<u>919,134</u>	<u>125,413</u>	<u>-</u>	<u>1,044,547</u>
Net capital assets being depreciated	<u>3,034,437</u>	<u>(79,495)</u>	<u>-</u>	<u>2,954,942</u>
Net governmental capital assets	<u>\$ 3,053,437</u>	<u>\$ (79,495)</u>	<u>\$ -</u>	<u>\$ 2,973,942</u>

Depreciation expense was charged to activities of the School District as follows:

Governmental activities:	
Instruction	\$ 69,162
Support services	<u>56,251</u>
Total	<u>\$ 125,413</u>

ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due to/From Other Funds

<u>Receivable Fund</u>		<u>Payable Fund</u>	
Debt Service Fund	\$ 20,834	General Fund	\$ 20,834
Total	<u>\$ 20,834</u>		<u>\$ 20,834</u>
<u>Transfer In</u>		<u>Transfer Out</u>	<u>Total</u>
General Fund	\$ -	\$ (16,611)	\$ (16,611)
Special Revenue:			
Food Service Fund	365	0	365
Athletics	16,246	0	16,246
Total	<u>\$ 16,611</u>	<u>\$ (16,611)</u>	<u>\$ 0</u>

NOTE 7 - LONG-TERM DEBT

The following is a summary of debt transactions of the School District for the Year ended June 30, 2005:

	1998 <u>Bonds</u>	<u>Installment</u>	<u>Total</u>
Payable at July 1, 2004	\$ 2,880,000	\$ 22,800	\$ 2,902,800
Principal payments:			
Bond Payments	(85,000)	(7,600)	(87,600)
Payable at June 30, 2005	<u>\$ 2,795,000</u>	<u>\$ 15,200</u>	<u>\$ 2,810,200</u>

INSTALLMENT PURCHASE AGREEMENT

During the fiscal year ended June 30, 2002 the District purchased an International bus on an installment purchase contract. The contract involved the vendor and North Country Bank. The District financed \$38,000 over 5 years. The first payment was due January 15, 2003 and the note matures on January 15, 2007. Payments are due annually throughout the life of the agreement. Interest is 4.5% per annum. The following schedule details the payments due:

	<u>2006</u>	<u>2007</u>	<u>Total</u>
Principal	\$ 7,600	\$ 7,600	\$ 15,200
Interest	684	342	1,026
Total	<u>\$ 8,284</u>	<u>\$ 7,942</u>	<u>\$ 16,226</u>

ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7 - LONG-TERM DEBT (CONTINUED)

<u>Year</u>	<u>Principal Due May 1</u>	<u>1998 BONDS</u>		<u>Interest May 1</u>	<u>Interest November 1</u>
		<u>Interest Rate</u>			
2005-2006	\$ 90,000	4.40%	\$ 64,810	\$ 64,810	
2006-2007	95,000	4.40%	62,830	62,830	
2007-2008	100,000	4.40%	60,740	60,740	
2008-2009	105,000	4.40%	58,540	58,540	
2009-2010	110,000	4.45%	56,230	56,230	
2011-2015	640,000	4.45-4.65%	241,744	241,744	
2016-2020	830,000	4.65-4.70%	159,592	159,592	
2021-2024	<u>825,000</u>	4.80-4.80%	<u>50,880</u>	<u>50,880</u>	
Total	<u>\$ 2,795,000</u>		<u>\$ 755,366</u>	<u>\$ 755,366</u>	

Annual Debt Service Requirements:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 97,600	\$ 130,304	\$ 227,904
2007	102,600	126,002	228,602
2008	100,000	121,480	221,480
2009	105,000	117,080	222,080
2010	110,000	112,460	222,460
2011-2015	640,000	483,488	1,123,488
2016-2020	830,000	319,184	1,149,184
2021-2024	<u>825,000</u>	<u>101,760</u>	<u>926,760</u>
Total	<u>\$ 2,810,200</u>	<u>\$ 1,511,758</u>	<u>\$ 4,321,958</u>

The annual requirements to amortize all applicable debt outstanding as of June 30, 2005, including interest payments of \$1,511,758 are as follows:

NOTE 8 - DEFINED BENEFIT PENSION PLAN

All District full-time employees participate in the Michigan Public School Employees' Retirement System, ("System"), a cost-sharing multiple-employer public employee retirement system. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

All full-time employees of the District are required by law to participate in the System. All benefits vest after 10 years of service. Basic plan members may retire at age 55 with 30 years of credited service, or at age 60 with 10 or more years of credited service. A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service or at age 60 with 5 years of service. Both basic and MIP plan members may retire at age 55 with 15 years of service and receive reduced early retirement benefits. Benefits are paid monthly over the member's or survivor's lifetime and are equal to 1.5% of the member's final average compensation times the member's years of credited service. The final average compensation period for basic members is 60 consecutive months and for MIP members is 36 consecutive months. The system also provides health, dental and vision insurance coverage for retirees.

ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at various rates depending on school fiscal year compensation. Basic plan members make no contributions. The District was required to contribute 14.87% of participants salary to the System for the fiscal year ended 6/30/05, and the State of Michigan is responsible for any further contributions necessary to keep the fund actuarially sound. The School District's contributions to the MPSERS plan for the years ended June 30, 2005, 2004, and 2003 were \$119,369, \$103,949, and \$102,883.

Post-Employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage. In prior years the State pre-funded these benefits using the entry age actuarial cost method. Retirees having this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverages. These contributions are deducted from the retirees monthly pension. No additional contributions are required from the District on these post-employment benefits. The 14.87% noted above includes these costs.

NOTE 9 - RISK MANAGEMENT

The School District participates in the MASB-SEG Property and Casualty Pool.

The MASB-SEG Property/Casualty Pool, Inc. was created on May 23, 1985 and organized under Public Act 138 of 1982 as amended, as a governmental group property and casualty self-insurance pool. Approximately 375 educational institutions within the State of Michigan participate in the Pool.

The Pool limits the maximum net loss that may arise from large risks or in concentrated areas of exposure by reinsuring certain levels of risks with other insurers or reinsurers. The Pool purchases excess liability coverages from one or more insurers or reinsurers to provide 100 percent coverage at each insured level.

The District has its general property insurance, liability insurance, vehicle insurance and workers compensation insurance with the Pool. The District makes annual contributions (premiums) to the Pool based on actuarial studies using historical data and insurance industry statistics. The premiums are paid out of the District general fund.

REQUIRED SUPPLEMENTARY INFORMATION

ALBA PUBLIC SCHOOL
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, OTHER SOURCES (USES)
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Local Sources	\$ 1,170,550	\$ 569,724	\$ 585,208	\$ 15,484
State Sources	45,500	984,056	951,195	(32,861)
Federal Sources	81,147	76,293	65,680	(10,613)
TOTAL REVENUES	1,297,197	1,630,073	1,602,083	(27,990)
EXPENDITURES				
Current:				
Instruction:				
Basic programs	665,400	786,555	723,306	63,249
Added Needs	163,612	191,975	181,880	10,095
Capital Outlay	-	14,500	14,295	205
Support Services:				
Instructional Staff	107	2,500	6,083	(3,583)
General Administration	242,846	273,760	262,916	10,844
Business Services	52,325	51,300	44,843	6,457
Maintenance	145,860	157,760	161,756	(3,996)
Transportation	57,600	71,450	70,355	1,095
Other Business Services	12,626	8,968	8,626	342
Capital Outlay	-	-	31,623	(31,623)
TOTAL EXPENDITURES	1,340,376	1,558,768	1,505,683	53,085
REVENUES OVER (UNDER) EXPENDITURES	(43,179)	71,305	96,400	25,095
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	(18,750)	(19,270)	(16,611)	2,659
TOTAL OTHER FINANCING SOURCES (USES)	(18,750)	(19,270)	(16,611)	2,659
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(61,929)	52,035	79,789	27,754
FUND BALANCES, BEGINNING OF YEAR	251,631	251,631	251,631	-
FUND BALANCES, END OF YEAR	\$ 189,702	\$ 303,666	\$ 331,420	\$ 27,754

See Notes to Financial Statements

ALBA PUBLIC SCHOOL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER SOURCES (USES)
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNT		ACTUAL	VARIANCE WITH FINAL BUDGET OVER
	ORIGINAL	FINAL		
LOCAL SOURCES				
Taxes and Penalties	\$ 1,149,550	\$ 547,199	\$ 560,207	\$ 13,008
Interest Income	2,500	2,600	4,993	2,393
Miscellaneous Income	8,000	12,327	7,356	(4,971)
Incoming Transfers ISD	10,500	7,598	12,652	5,054
TOTAL LOCAL SOURCES	1,170,550	569,724	585,208	15,484
STATE SOURCES				
Categorical State Aid	45,000	984,056	951,195	(32,861)
Incoming Transfers ISD	500	-	-	-
TOTAL STATE SOURCES	45,500	984,056	951,195	(32,861)
FEDERAL SOURCES				
Title I	48,284	48,527	45,828	(2,699)
Title II A	13,305	13,414	13,414	-
Title V	2,357	1,989	1,989	-
Education Technology	1,174	2,401	1,227	(1,174)
REAP Grant	15,165	9,100	3,222	(5,878)
Incoming Transfers ISD & Other	862	862	-	(862)
TOTAL FEDERAL SOURCES	81,147	76,293	65,680	(10,613)
TOTAL REVENUE	\$ 1,297,197	\$ 1,630,073	\$ 1,602,083	\$ (27,990)
EXPENDITURES				
INSTRUCTION				
Basic Programs:				
Elementary	\$ 305,500	\$ 380,498	\$ 330,686	\$ 49,812
Secondary	359,900	367,285	345,351	21,934
Preschool	-	38,772	47,269	(8,497)
Total Basic Programs	665,400	786,555	723,306	63,249
Added Needs:				
Special Education	50,465	77,500	82,728	(5,228)
Title I	48,284	43,427	45,828	(2,401)
Title II A	13,305	14,227	9,335	4,892
At Risk	32,000	41,785	36,660	5,125
Other	19,558	15,036	7,329	7,707
Total Added Needs	163,612	191,975	181,880	10,095

(Continued)

See Notes to Financial Statements

ALBA PUBLIC SCHOOL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER SOURCES (USES)
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNT		ACTUAL	VARIANCE WITH FINAL BUDGET OVER
	ORIGINAL	FINAL		
INSTRUCTION (CONTINUED)				
Other - Capital Outlay:	\$ -	\$ 14,500	\$ 14,295	\$ 205
TOTAL INSTRUCTION	829,012	993,030	919,481	73,549
SUPPORTING SERVICES				
Instructional Staff:				
Library	107	2,500	6,083	(3,583)
Total Instructional Staff	107	2,500	6,083	(3,583)
General Administration:				
Board of Education	43,000	72,900	63,673	9,227
Executive Administration	199,846	200,860	199,243	1,617
Total General Administration	242,846	273,760	262,916	10,844
Business Office	52,325	51,300	44,843	6,457
Plant Operation and Maintenance	145,860	157,760	161,756	(3,996)
Pupil Transportation	57,600	71,450	70,355	1,095
Principal	7,600	7,600	7,600	-
Interest	5,026	1,368	1,026	342
Capital Outlay	-	-	31,623	(31,623)
TOTAL SUPPORTING SERVICES	511,364	565,738	586,202	(20,464)
OUTGOING TRANSFERS				
Food Service Fund	-	3,818	365	3,453
Athletics Fund	19,525	19,750	16,246	3,504
TOTAL OUTGOING TRANSFERS	19,525	23,568	16,611	6,957
TOTAL EXPENDITURES AND TRANSFERS OUT	\$ 1,359,901	\$ 1,582,336	\$ 1,522,294	\$ 60,042

See Notes to Financial Statements

OTHER SUPPLEMENTARY INFORMATION

ALBA PUBLIC SCHOOL
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	SPECIAL REVENUE FUNDS		
	ATHLETIC FUND	FOOD SERVICE FUND	TOTAL
ASSETS			
Cash	\$ -	\$ 4,430	\$ 4,430
Investments	-	-	-
Receivables:			
Taxes	-	-	-
Accounts	-	-	-
Inventory	-	1,631	1,631
Due From Other Funds	-	-	-
Due From Other Governmental Units	-	-	-
TOTAL ASSETS	-	6,061	6,061
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-
Due to Other Funds	-	-	-
Due to Other Governmental Units	-	-	-
Advances From Other Governmental Units	-	-	-
Deferred Revenue	-	-	-
TOTAL LIABILITIES	-	-	-
FUND BALANCE			
Reserved	-	6,061	6,061
Unreserved	-	-	-
TOTAL FUND BALANCES	-	6,061	6,061
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 6,061	\$ 6,061

See Notes to Financial Statements

ALBA PUBLIC SCHOOL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE FUNDS		
	ATHLETIC FUND	FOOD SERVICE FUND	TOTAL
REVENUES			
Local Sources	\$ 5,894	\$ 16,643	\$ 22,537
Interest	-	-	-
State Sources	-	5,749	5,749
Federal Sources	-	75,286	75,286
TOTAL REVENUES	5,894	97,678	103,572
EXPENDITURES			
Current			
Athletics	22,140	-	22,140
Food Service	-	92,703	92,703
Other	-	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	22,140	92,703	114,843
REVENUES OVER (UNDER) EXPENDITURES	(16,246)	4,975	(11,271)
OTHER FINANCING SOURCES (USES)			
Transfers In	16,246	365	16,611
Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	16,246	365	16,611
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	5,340	5,340
FUND BALANCES, BEGINNING OF YEAR	-	721	721
FUND BALANCES, END OF YEAR	\$ -	\$ 6,061	\$ 6,061

See Notes to Financial Statements

ALBA PUBLIC SCHOOL
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF BONDED INDEBTEDNESS
YEAR ENDED JUNE 30, 2005

	2002 Debt Principal	2002 Debt Interest	Total
<u>Fiscal June 30</u>			
2006	\$ 90,000	\$ 129,620	\$ 219,620
2007	95,000	125,660	220,660
2008	100,000	121,480	221,480
2009	105,000	117,080	222,080
2010	110,000	112,460	222,460
2011	115,000	107,565	222,565
2012	120,000	102,448	222,448
2013	130,000	97,108	227,108
2014	135,000	91,322	226,322
2015	140,000	85,045	225,045
2016	150,000	78,535	228,535
2017	155,000	71,560	226,560
2018	165,000	64,275	229,275
2019	175,000	56,520	231,520
2020	185,000	48,294	233,294
2021	190,000	39,600	229,600
2022	200,000	30,480	230,480
2023	210,000	20,880	230,880
2024	225,000	10,800	235,800
	<u>\$ 2,795,000</u>	<u>\$ 1,510,732</u>	<u>\$ 4,305,732</u>
Principal payments due	May 1		
Interest payments due	May 1 and November 1		
Interest rate	4.40% to 4.80%		
Original issue	<u>\$ 3,130,000</u>		

See Notes to Financial Statements



Thomas R. Zick CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

August 18, 2005

Board of Education
Alba Public School
Alba, Michigan 49611

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alba Public School as of and for the year ended June 30, 2005, which collectively comprise the Alba Public School's basic financial statements and have issued my report thereon dated August 18, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Alba Public School's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of Alba Public School in a separate letter dated August 18, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alba Public School's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to management of Alba Public School in a separate letter dated August 18, 2005.

This report is intended solely for the information and use of management, federal awarding agencies, pass-through entities, the Michigan Department of Education, and Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Thomas R. Zick, CPA P.C." in a cursive style.

Thomas R. Zick CPA, P.C.
Certified Public Accountant



Thomas R. Zick CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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FINANCIAL AUDIT COMMENTS

August 18, 2005

Board of Education
Alba Public School
Alba, Michigan 49611

In planning and performing my audit of the general purpose financial statements of Alba Public School, for the year ended June 30, 2005, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure. However, I noted certain matters involving the internal control structure and its operation that I bring to your attention as follows:

DUE TO / DUE FROM ACCOUNTS

The due to/due from accounts involving athletics and food service should be set up so that periodically they clear. At year end the balances should be zero with transfer out / transfer in amounts being recorded. These accounts must be reviewed and reconciled monthly in order for the financial statements to be accurate.

RECEIPTS JOURNAL

Your computer system requires a receipt to input cash received, but during the fiscal year these receipts were not always timely posted to the ledger. You should assign a unique sequentially numbered receipt for each and every cash receipt item and these numbers should be accounted for and posted to the ledger monthly.

OTHER - MISCELLANEOUS

A review of all outstanding checks should be performed periodically and either reissue the checks or appropriately void them to avoid carrying old checks on the bank reconciliation for an extended period of time.

Payroll liability withholding accounts should be reviewed at least quarterly to assure they are clearing and that everything being withheld is properly remitted. If adequate amounts are not being withheld and debit balances are occurring in these accounts corrections can be timely made.

BUDGETS

The School District is required under Public Act 621 of 1978 to adopt (pass) a budget (General Appropriations Act) for the General Fund and Individual Special Revenue and Debt Retirement Funds. The District complied in all areas except the following expenditure areas which exceeded budgeted amounts:

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Preschool	\$ 38,772	\$ 47,269	\$ (8,497)
Special Education	\$ 157,760	\$ 161,756	\$ (3,996)
Title I	\$ 43,427	\$ 45,828	\$ (2,401)
Library	\$ 2,500	\$ 6,083	\$ (3,583)
Plant Operation & Maintenance	\$ 157,760	\$ 161,756	\$ (3,996)
Capital Outlay - Non-Instruction	\$ -0-	\$ 31,623	\$ (31,623)
Special Revenue:			
Food Service	\$ 76,700	\$ 92,702	\$ (16,002)

SEGREGATION OF DUTIES

There is not adequate segregation of duties in the accounting area. One individual posts all journals, the general ledger, prepares checks, makes bank deposits, and reconciles the bank accounts. The same individual also initiates and posts all journal entries. The lack of segregation of duties is inherent because of staff limitations. The Board must recognize that all internal controls must be evaluated for cost effectiveness. The controls which could be added would have to be compared with the costs required to obtain those controls. Presently your superintendent reviews the monthly bank reconciliations which helps mitigate the control weakness. In addition board of Education members sign all disbursement checks providing another control to mitigate the overall lack of segregation of duties in this area.

MATERIAL WEAKNESS

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I believe none of the matters described above are material weaknesses.

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August 18, 2005
Board of Education
Alba Public School

I would like to take this opportunity to thank Jeff, Teena, and Gloria for their cooperation during the audit. The record keeping process was excellent and records were maintained in an organized and complete fashion as has been the case in previous years. The fund balance increase, while many districts have recorded substantial deficits, shows the attention this Board and administration has paid to financial management and stability.

This report is intended solely for the information and use of the Alba Public Schools management, Board of Education, the Michigan Departments of Treasury and Education, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, reading "Thomas R. Zick, CPA P.C.", written in black ink.

Thomas R. Zick CPA, P.C.
Certified Public Accountant